

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7032**

**BILL NUMBER:** HB 1357

**NOTE PREPARED:** Feb 8, 2005

**BILL AMENDED:**

**SUBJECT:** Organ Donor Expense Tax Deduction.

**FIRST AUTHOR:** Rep. Brown C

**FIRST SPONSOR:** Sen. Dillon

**BILL STATUS:** As Passed House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** The bill provides a \$10,000 income tax deduction for human organ donation by an individual or an individual's dependent.

**Effective Date:** January 1, 2006.

**Explanation of State Expenditures:** The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate this deduction. These expenses presumably could be absorbed given the DOR's existing budget and resources.

**Explanation of State Revenues:** *Summary:* The bill would reduce state Adjusted Gross Income (AGI) Tax liabilities of individual taxpayers who incur certain expenses in connection with the donation of a human organ by the taxpayer or the taxpayer's dependent for human organ transplantation. The revenue loss due to this bill could potentially total about \$20,000 to \$30,000 annually beginning in FY 2007.

*Background:* The bill establishes an AGI deduction for unreimbursed travel expenses, housing expenses, lost wages, and other expenses incurred in connection with the donation of a human organ by the taxpayer or the taxpayer's dependent for human organ transplantation. The bill defines "human organ" to be all or a part of the kidney, liver, lung, bone marrow, pancreas, or intestine of a human body. The deduction is equal to the lesser of the individual's expenses or \$10,000. The deduction may be claimed only once during an individual's lifetime.

The Organ Procurement and Transplantation Network (OPTN) reports the number of live donor organ donations carried out annually in each state. Organ donations in Indiana averaged about 46 per year from 1988 through 2002, with the yearly average increasing to 64 for the period 2000 to 2002. Forty-two donations have occurred in Indiana from January to October of 2004. From 2000 to 2002, donations grew annually by an average of 4.8%, with the long-run average (from 1988 to 2002) equal to about 4.6%. However, donations in Indiana declined by almost 12% in 2003.

The revenue from the AGI Tax on individuals is deposited in the state General Fund (86%) and the Property Tax Replacement Fund (14%). Since the deduction is effective beginning in tax year 2006, the fiscal impact would begin in FY 2007.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Since the proposed deduction would affect an extremely small group of taxpayers, the impact on local option income taxes (CAGIT, COIT, and/or CEDIT) is expected to be minimal.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** Counties with a local option income tax.

**Information Sources:** Organ Procurement and Transplant Network, <http://www.optn.org>.

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